

**Department of Workforce Development
Fiscal Monitoring Guide
Expenditures**

Each W-2 agency has a specified cap per their W-2 contract (Section 26.8.7 and Appendix D) that they can spend on direct expenditures in each of the following categories: Advertising/Promotional, Legal Services, and Telecommunications. Allocated expenditures in these categories do not have to be included in the amount subject to the cap. W-2 agencies are not allowed to charge legal retainers to the W-2 program. The agencies report these expenditures to DWD on a monthly basis on a line code set up for each category for informational purposes (COrE line codes 2501-2503). For reimbursement, these expenditures are included in the agency's expenditure report with other TANF administrative expenditures (COrE line code 2120).

Expenditures reported to the W-2 contract must be reasonable and necessary, documented, and W-2 related per OMB Circulars and Contract Section 26.8.1.

Audit Procedure	Date and Initials	Workpaper Ref.
1. Review the provider's general ledger for expenditures in the categories listed above and reconcile to the amounts reported to the W-2 contract on the agency's COrE expenditure report for reimbursement and to the COrE informational line codes.		
2. On a sample basis, review the supporting documentation for at least three transactions in each expenditure category (advertising/promotional, legal services, telecommunications, and legal fees) to determine if the expenditures are reasonable and necessary for the W-2 program. Adjust sample size as necessary based on the volume of transactions.		
3. Verify that the amounts reported on the informational lines reconcile to the amounts reported elsewhere on the COrE expenditure report for reimbursement.		
4. If the provider has legal retainers, verify that no costs have been charged to the W-2 contract. If costs have been charged to W-2, determine the amount of the disallowance for the current contract period (see contract Appendix D). This does not apply to indirect legal retainer costs incurred by parent corporations and allocated to subsidiaries through overhead.		
5. Review the general ledger for out of state travel expenditures and determine if any of these costs have been direct charged to the W-2 contract. Out of state travel would not be necessary for the W-2 contract and should be disallowed per contract sections 26.8.1 and 26.8.5.		
6. Agencies were required to file a \$50 fee when they submitted their proposal to run the program. Verify that this fee was not charged to W-2.		

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7. If the agency has been subjected to any penalties, fines, etc., including any under section 18 of the contract, verify these funds were paid for with non-W-2 funds.
8. Determine if severance or bonuses were paid and if so, verify that these were paid in accordance with their W-2 plan, which was approved by DWS (see Administrator's Memo 01-21).
9. Determine if equipment over \$5,000 with a useful life of greater than 1 year was purchased by the agency (see Administrator's Memo 04-33, Attachment 1, and section 24.2 of the contract). If so, verify that the agency is using straight-line depreciation as required by DWD and that an appropriate useful life was used. Verify the existence of the asset and that it is still in use. If the asset was to be used for W-2, verify that only the annual depreciation is charged to the contract and that the purchase was funded with other than W-2 funds.
10. For private for-profit agencies, verify profit was not charged to the W-2 contract.